



# Energy Transition Policy Group

PREPARED FOR GOVERNOR-ELECT JON S. CORZINE

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## Final Report

January 19, 2006

## **ENERGY POLICY TRANSITION REPORT**

### **EXECUTIVE SUMMARY**

As Governor-Elect Corzine prepares to take office, New Jerseyans are more focused on energy than they have been in decades. Skyrocketing fuel prices, the increasing impacts of global warming, and other vivid reminders of America's fossil fuel dependence have dramatically raised the profile of this issue.

This situation will pose some tremendous challenges for the Corzine administration, beginning immediately with the task of helping New Jerseyans cope with oppressive winter heating bills. But it also presents an unparalleled opportunity to make New Jersey the national leader in progressive energy policy and economic development around renewable and advanced energy technologies.

Jon Corzine was elected Governor on the strength of a platform that promised a more affordable New Jersey; economic development around emerging industries of the 21<sup>st</sup> century; improved environmental stewardship, and a new approach to governing that was more responsible and forward thinking. Few areas present more opportunity to deliver on this vision than energy policy.

This report contains recommendations on how Governor Corzine can immediately begin to address the most pressing and important energy policy issues facing New Jersey, and start implementing his ambitious and visionary energy policy platform. The priority recommendations in this report are as follows:

1. **Launch a home heating relief initiative to help New Jerseyans cope with winter heating bills.** Ask the Board of Public Utilities (BPU) to: adjust the benefit levels of the Universal Service Fund (USF) program to account for rising natural gas prices; remove the \$1,800 USF benefit cap; improve outreach for LIHEAP/USF; investigate expanding USF income-eligibility; and expand the Comfort Partners weatherization program to include families earning up to 350% of the Federal Poverty Level (FPL) and families heating with deliverable fuel oil. These initiatives would be paid for through the state's societal benefits charge, which is collected through utility rates.
2. **Appoint a Director of Energy Savings and Sustainability in the Department of Treasury to immediately begin helping reduce State energy expenses.** State and local government can save tens of millions of dollars through conservation, improved fleet and building efficiency, improved procurement, and the installation of on-site generation. The Director should report directly to the Treasurer and be empowered to make real changes in how government buys and uses energy.
3. **Target economic development initiatives toward the renewable and advanced energy technology industry.** Early in his administration, Governor Corzine will be implementing ambitious reforms in how the state pursues economic development. These efforts should prioritize significant resources for renewable and advanced energy technologies, a job-intensive industry in which New Jersey is poised to become the national leader. To ensure that this happens, Governor Corzine should instruct the President of the BPU, the CEO of the EDA, the Executive Director of the Commission on Science and Technology, and the Governor's top economic development advisor to report to him by May 1, 2006 with an initial strategy for working together to promote economic development in this industry.

4. **Develop annual energy reduction goals and strategies that will help New Jersey reach the Governor-Elect's goal of reducing energy usage by 20% by 2020.** The BPU can develop this plan in conjunction with the Clean Energy Council and utilizing the Energy Master Plan process. By June 1, 2006, the BPU should report back to the Governor with initial reduction goals and policy recommendations for the next four years, and a timeline for further development of those goals and recommendations. The Governor should adopt an Executive Order to make the goal and interim steps official. This group believes such a plan must include the following initiatives:
  - i. **Upgrade energy building codes for residential and commercial construction, and institute additional performance requirements for publicly-funded construction.**
  - ii. **Set minimum efficiency standards for common household and commercial products that are currently unregulated.**
5. **Establish a world-class research center and business incubator in New Jersey for renewable energy and advanced energy technologies.** This center would create a hub of activity that would attract businesses and create linkages between R&D, technology deployment, and business development. A combination of economic development and clean energy resources can be used to make this happen. The group recommends considering Ft. Monmouth as a home for this center, and linking the center to New Jersey's institutes of higher learning.
6. **Identify sources of capital to support a large-scale investment in cost-effective energy efficiency and renewable energy for state and local government facilities.** With proper financing, a significant capital investment in this area would be revenue positive, resulting in financial benefits for state and local governments for decades to come. Funding options include revenue bonds (paid back with a portion of energy savings), long-term 'performance contracts' (also repaid with energy savings), and/or public-private partnerships.
7. **Create more stability in New Jersey's renewable energy and energy efficiency programs.** Instability in these programs, which includes uncertainty about future funding commitments, has hindered businesses' ability to plan and make long-term investments. Specific steps to increase stability and spur more investment should include extending Clean Energy Program funding for at least five years beyond its current expiration in 2007, and instructing BPU staff to develop a long-term plan for transforming the renewable energy market so that renewables can compete with fossil fuels.
8. **Work with the BPU to promote the safe, reliable, and secure delivery of energy.** Delivering energy to New Jersey's homes and businesses requires a vast natural gas and electric transmission and distribution system, an array of power generation plants, and an adequate supply of necessary fuel for generation. This group recommends that the Corzine administration consider several steps to ensure safe and reliable energy service, including: working with our regional grid operator to develop proper incentives in the regional energy supply market; continuing to develop more sources of natural gas supply, and continuing to promote competitive wholesale and retail energy markets.
9. **Implement a long-term solution to funding the Transportation Trust Fund (TTF).** Utilizing mass transit is a fundamental part of an energy policy designed to reduce the use of gasoline. Without a significant influx of new revenue to the TTF, New Jersey's mass transit system will continue to fall into disrepair, spelling disaster for New Jersey's energy policy and the health, safety and economic well being of New Jerseyans.

10. **Issue an Executive Order instructing state agencies to take all necessary actions to prevent drilling off of the Jersey shore.** Offshore oil and gas exploration and development threatens the ecological, economic, and public health of our state. We recommend that Governor Corzine continue his national leadership on this issue by issuing an Executive Order instructing state agencies to take all necessary regulatory actions to prevent such development in waters off the New Jersey coast.

## **Introduction**

How New Jersey uses and generates energy has a significant impact on our economy, security, environment, health and quality of life. Few policy areas are as complex and far reaching, and a good energy policy must balance how it impacts New Jerseyans in all of these respects.

New Jersey is poised to become the national leader in progressive energy policy. In the first few months of his administration, Governor Corzine can immediately begin to address the most pressing and important energy policy issues facing New Jersey, and start implementing his ambitious energy policy platform. In doing so, we believe Governor Corzine can make significant strides in the following interrelated areas:

- Energy affordability
- Economic development and job creation
- Energy efficiency and renewable energy investments
- Reliability and security
- Reduction of State energy usage
- Cleaner and more efficient transportation

Most recent Governors have not made energy policy a top priority. We urge Governor Corzine not to repeat the mistakes of his predecessors. When it comes to energy policy, the opportunities for improving the lives of New Jerseyans are great, and the risks of relegating this issue to second tier status are considerable. Above all else, New Jersey's energy policy will be most effective if the Governor engages in this issue, uses the power of his governorship to make New Jersey the national leader in progressive energy policy, and empowers qualified people to implement his bold and forward-looking agenda.

## **I. Energy Affordability**

Home heating costs in New Jersey are expected to increase at least 25% this winter, due to a combination of increased worldwide demand for oil and natural gas, and supply constraints that are partly attributable to the aftereffects of Hurricanes Katrina and Rita.

A long-term strategy for making energy prices more affordable must focus on maintaining a fair and vigorously competitive energy supply market, investing in energy efficiency and peak demand reduction, and further diversifying New Jersey's fuel sources with an emphasis on clean and distributed generation. Efforts to promote efficiency and fuel diversification must be sensitive to the fact that while these are smart, responsible investments they also entail an initial rate impact on customers.

The Corzine administration, however, will need more than long-term strategies to address the problem of unaffordable energy bills. Families are now receiving energy bills that are dramatically higher than last winter. Governor Codey signed a bill providing roughly \$12 million in additional assistance, but this group believes much more must be done. We recommend the following immediate actions to address this problem:

- a) **Expand benefits under the Universal Service Fund (USF) Program.** USF is New Jersey's most efficient assistance program, providing individualized benefits to all participants – just enough to ensure that they pay no more than 6% of their income on energy costs (after accounting for LIHEAP and other public benefits). USF is available to all households that earn up to 175% of FPL and pay more than 6% of their income toward energy. USF is funded by a small adder on utility rates, and program expansions can be paid for with adjustments to that rate. In order to help low- and moderate-income families cope with this winter's heating prices, we recommend that Governor Corzine immediately ask the BPU to take the following actions:

- i. **Recalculate the benefits of USF participants to take into account recent increases in natural gas prices.** This adjustment is crucial to providing adequate assistance to USF participants. Without this adjustment many USF participants will pay far more than 6% of their income toward energy bills.
  - ii. **Eliminate the \$1,800 cap on family program benefits.** This cap is inconsistent with a program aimed at having participants pay a certain percentage of their income toward energy. The program already has built-in incentives for conservation. The only effect this cap has is to arbitrarily force certain families to pay more than 6% of their income toward energy.
  - iii. **Investigate the impacts of expanding the income eligibility of USF.**
- b) **Expand the eligibility of Comfort Partners to include full benefits for oil heating customers.** Oil-heating customers should have equal access to the Comfort Partners program to help them reduce their energy bills as heating oil prices skyrocket. This benefit should be temporarily funded through existing Clean Energy Program funds for one year, after which time the state should find a funding source supported by the oil industry.
- c) **Expand the Comfort Partners home weatherization program to serve families earning up to 350% of the FPL.** This will help moderate income families make energy efficiency investments, and will reduce overall energy demand in New Jersey. This program expansion should not take away from existing Comfort Partners funds for low-income families; thus, it must be funded using other Clean Energy Program money or new funds recently dedicated by the Legislature for weatherization. The Clean Energy Council should determine proper funding levels for this expansion and investigate limiting benefits for participants that earn between 175% and 350% of the FPL by requiring co-pays, offering scaled-back benefits or solely offering financing to those participants.
- d) **Improve outreach for USF/LIHEAP, NJ SHARES, and Clean Energy Programs.** An independent USF program evaluation will be complete in early 2006, which will make recommendations on how to improve USF/LIHEAP outreach (the two programs share a single application). After receiving these recommendations, the BPU should aggressively implement an improved outreach program.
- e) **Strengthen protections against utility shut-offs.** The BPU should tighten restrictions on shutting off utility service to low- and moderate-income customers during the winter. For example, utilities should be required to take affirmative actions to determine if a customer is protected from shut-offs during the winter moratorium. This should include reviewing the utility's database to see if the customer is participating in programs such as LIHEAP or USF, and having all customer service agents ask customers if they are in a protected class. The BPU should also: require that utilities distribute information about assistance programs with shut-off notices; reexamine the rules governing bill re-payment plans, and investigate the feasibility of a summer or expanded high-temperature shut-off moratorium to prevent vulnerable populations from being harmed or killed because they are without power during periods of oppressive heat.
- f) **Create a 'buzz' around energy conservation.** The BPU has begun a \$700,000 campaign to promote conservation tips and to direct people to the State's online home energy audit, which generates customized conservation recommendations. The Governor can amplify this campaign both by promoting it personally, and by signing an executive order implementing these conservation tips in state government (e.g. lowering building temperatures to 68 degrees or turning out lights at night). In addition, the BPU's campaign should be expanded to partner with other organizations such as NJPIRG, Green Faith, AARP, Citizen Action, and

other groups to help raise awareness. Finally, the BPU should examine using existing Clean Energy Program funds to create a new program that will move beyond the online home energy audit and take a more proactive approach to engaging residents in a home energy audit that can save them money on their energy bills.

## **II. Economic Development and Job Creation**

Governor-Elect Corzine has outlined an ambitious proposal for reforming how New Jersey promotes economic development. The Energy Advisory Group strongly recommends that as his administration implements these reforms, it targets significant resources and attention toward the renewable and advanced energy technology industry (including transportation technologies).

This industry is growing at a tremendous rate, with worldwide renewable energy sales at roughly \$27 billion in 2005 and expected to nearly double by 2008. It is also a job-intensive industry, creating well-paying, high-skill work. Solar energy, for example, is estimated to create more than ten times as many jobs per unit of energy as traditional fossil fuels. A study by Rutgers estimated that when the state establishes a 20% Renewable Portfolio Standard, requiring that 20% of our energy come from renewable resources by 2020, it could lead to the creation of 12,000 new jobs in New Jersey.

New Jersey already has a foothold in this industry, and has the potential become the national leader in this field. Our advantages include: some of the best state programs in the country for promoting energy efficiency and renewable energy; a nearly finalized 20% Renewable Portfolio Standard; a wave of new energy efficiency initiatives that will be necessary to meet the Governor-Elect's goal of reducing energy usage 20% by 2020; an engaged university system; an energy-intensive customer base, and a highly skilled workforce with underutilized resources, such as Ft. Monmouth. New Jersey hasn't fully taken advantage of the economic development potential of its progressive energy policies, and doing so should be a top priority for this administration. The urgency of this effort is heightened by a recent announcement that California is ratcheting up its in attempt to become that nation's premier state for renewable energy (*see attached*).

This advisory group recommends the following action items:

- a) **Instruct the President of the BPU, the CEO of the EDA, the Executive Director of the Commission on Science and Technology, and the Governor's top economic development advisor to develop a plan for promoting economic development around renewable energy and advanced energy technologies.** As discussed above, New Jersey has significant resources devoted to both economic development and promoting renewable energy and energy efficiency. These resources must be leveraged to create the greatest possible economic development and job creation benefits for New Jersey. This strategy should include plans for attracting renewable and clean energy manufacturers to New Jersey; attracting businesses that are developing cleaner and more efficient transportation technologies; ensuring that our workforce is prepared to participate in this industry, and establishing a research center/business incubator (*see below*). An initial plan should be submitted to the Governor no later than May 1, 2006, along with a timeline for further development of this plan.
- b) **Establish a world-class research center and business incubator in New Jersey for renewable energy and advanced energy technology.** This center would create a hub of activity that would attract businesses and create linkages between R&D, technology deployment, and business development. A combination of resources from the EDA, Commission on Science and Technology, Clean Energy Program and Edison

Innovation Fund can be used to make this happen. The Governor's economic development team should investigate the feasibility of using Ft. Monmouth as a home for this center, and linking these efforts to New Jersey's institutes of higher learning.

- c) **Create more stability in New Jersey's renewable energy and energy efficiency programs.** Instability in these programs, which includes uncertainty about future funding commitments and some untimely rule changes, has hindered businesses' ability to plan and make long-term investments. Increasing stability and establishing longer-term public plans for developing this market is particularly important for an industry that is relying on government regulations and subsidies to help it become competitive with the long-subsidized fossil fuel industry. Specific steps to increase stability and spur more investment should include the following:
- i. **Extend funding for the Clean Energy Program for at least five years beyond its current expiration in 2007.** California recently guaranteed funding for its renewable energy incentive programs through 2011.
  - ii. **Make economic development a key component of New Jersey's statutorily-required Energy Master Plan process.**
  - iii. **Instruct BPU staff to work with the Clean Energy Council to develop a long-term market transformation plan for renewable energy.** This plan should outline the state's strategy for smoothly phasing out renewable energy subsidies as renewable energy becomes competitive without subsidies. Such a long-term plan will surely need to be adjusted based on changing market conditions, but developing a plan will document New Jersey's long-term commitment to growing this industry and transforming the market. The BPU President should submit a plan outline to the Governor's office by June 1, 2006, along with a timeline for completion of the full plan.
- d) **Have Governor Corzine become personally involved in promoting economic development in the renewable and advanced energy technology industry.** This would send a clear market signal about New Jersey's commitment to promoting this industry and would help raise the profile of this effort. The Governor's involvement would not require a significant time commitment. For example, Governor Corzine could hold an event to announce the BPU's adoption of a 20% Renewable Portfolio Standard this spring. This would give him the opportunity to draw attention to this important initiative and outline other key components of his economic development strategy for the industry. The Governor could also hold a roundtable for clean energy entrepreneurs to discuss how the state can support their ventures.

### **III. Investing in Energy Efficiency and Renewable Energy**

Energy efficiency and renewable energy are smart investments that yield real financial returns. They are also investments in our local economy, in contrast to continued expenditures on the consumption of nonrenewable imported energy. Projects such as upgrading the efficiency of existing buildings, building new high-performance facilities, and installing on-site renewable generation should not be viewed simply as environmental initiatives, but rather they type of smart, revenue positive investments that Governor-Elect Corzine wants to prioritize in New Jersey.

New Jersey already has some of the best programs in the country for promoting energy efficiency and renewable energy. The Corzine administration must build on these successes to achieve its ambitious campaign goals of reducing energy usage by 20% by 2020, and getting 20% of our energy from renewable resources by 2020. The transition team recommends the following immediate actions toward these goals:



- a) **Develop annual energy reduction goals and strategies that will help New Jersey reach the Governor Elect's goal of a 20% reduction in projected energy usage by 2020.** The BPU can develop this plan in conjunction with the Clean Energy Council and utilizing the Energy Master Plan process. The BPU's investigation should consider initiatives such as an Energy Efficiency Portfolio Standard, and decoupling utility revenues and customer energy usage. The plan should also perform an analysis of the economic impacts of policies designed to help reach this goal. By June 1, 2006 the BPU should report back to the Governor with initial reduction goals and policy recommendations for the next four years, and a timeline for further development of those goals and recommendations. The Governor should then issue an Executive Order to make the goal and interim steps official.
- b) **Upgrade energy building codes for residential and commercial construction, and institute additional performance requirements for publicly-funded construction.** The Governor-Elect pledged to update building codes during the campaign. This group believes residential codes should meet Energy Star standards. Publicly-financed construction should be up to LEED Silver standards. This group also recommends that a task force be appointed to determine the appropriate level to which commercial building codes should be updated. This task force should report back to the Governor by April 1, 2006 with its recommendations, and estimates for any additional cost and savings that would result from updated codes.
- c) **Set minimum efficiency standards for common household and commercial products that are currently unregulated, including furnaces and boilers.** There are a number of products for which affordable efficient models are readily available, but for which there are no minimum efficiency standards. Setting standards through legislation would remove the lowest 'gas guzzling' appliances from the market by imposing restrictions on manufacturers. Such standards, when fully implemented, could save New Jerseyans hundreds of millions in reduced energy expenditures.<sup>1</sup>
- d) **Establish renewable energy and energy efficiency as priority resources in New Jersey's energy planning.** In developing New Jersey's Energy Master Plan, evaluating infrastructure investments or making other energy planning decisions, renewable energy and energy efficiency should be considered as the state's first choice of energy resources. In this analysis, these investments should be evaluated in the same manner that other capital investments are evaluated. The BPU should document this policy in a Board order.
- e) **Engage educational institutions as a way to transform how New Jerseyans think about buying and using energy.** A cultural shift is needed to change the way New Jerseyans think about investing in energy efficiency, conserving energy, and using clean and renewable resources. This type of cultural shift has occurred in other areas, such as people's perceptions about recycling or indoor smoking. The first important step in this effort must be to integrate these concepts into our public school classrooms, university environments and other community settings. The BPU and Clean Energy Council should use existing Clean Energy Program funds to expand and enhance programming that works collaboratively with educational institutions.

#### **IV. Reliability and Security**

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<sup>1</sup> Appliances that the National Energy Efficiency Partnership's research indicates are leading candidates for efficiency standards include bottle-type water dispensers; commercial boilers; commercial hot food holding cabinets; compact audio products; digital versatile disc players and digital versatile disc recorders; liquid-immersed distribution transformers; medium voltage dry-type distribution transformers; metal halide lamp fixtures; pool heaters; residential furnaces and residential boilers; residential pool pumps; portable electric spas; single-voltage external AC to DC power supplies; state-regulated incandescent reflector lamps; walk-in refrigerators and walk-in freezers. Standards on these appliances would reduce New Jersey's energy expenditures by an estimated \$300 million annually in 2020.

Our health, safety and economy depend on the safe, reliable, secure and environmentally sound delivery of energy. Governor-Elect Corzine's energy platform has appropriately prioritized much-needed investments in efficiency and renewable energy. However, even with accelerated energy efficiency and renewable development, New Jersey will continue to rely on a capital-intensive energy infrastructure that includes a vast natural gas and electric transmission and distribution system; power generation plants, and oil and propane manufacturing, storage and refining facilities.

The group recommends the following actions to ensure the reliability and security of these resources:

- a) **Advocate for reform of New Jersey's regional electric capacity market.** PJM, the electric transmission and reliability operator for our region of the country, has forecasted electric supply concerns for New Jersey by 2010. At the same time, New Jersey is already importing significant amounts of coal-generated power from older plants to our west that operate with fewer environmental controls than are imposed on New Jersey plants. Emissions from these out-of-state facilities significantly degrade New Jersey's air quality.  
  
PJM operates 'capacity markets' that are intended to create incentives for locating new generation in areas facing electric supply shortages. However, flaws in the design of PJM's capacity market undermine its effectiveness. Properly functioning capacity markets will create incentives for new generation in New Jersey (including large scale renewable energy projects). This will give New Jersey a greater ability to promote cleaner power generation and fuel diversity while maintaining adequate reliability. The alternative is the importation of an even greater amount of dirtier power from our west.
- b) **Issue an Executive Order instructing state agencies to take all necessary actions to stop drilling off of the Jersey shore.** Offshore oil and gas exploration and development threatens the ecological, economic, and public health of our state. As a U.S. Senator, Governor-Elect Corzine was a national leader in the fight against drilling off of New Jersey's shore. As Governor, we recommend that he continue this fight by issuing an Executive Order instructing state agencies to take all necessary regulatory actions to prevent such development in waters off the New Jersey coast. We further recommend that Governor Corzine be a national leader on this issue through bold actions to unite other coastal states in opposition to offshore oil and gas development.
- c) **Continue to develop new sources of supply, transportation and storage of natural gas.** Natural gas is New Jersey's primary fuel for residential heating, industrial use, co-generation and combined cycle power plants. It is also the fuel of choice for many less-polluting and distributed generation technologies. As such, the continued supply of natural gas is critical to our economy and security. New Jersey is currently experiencing the price impact from supply interruptions stemming from hurricanes Katrina and Rita. Accordingly, the State needs to continue to promote the development of new sources of natural gas supply (excluding off-shore drilling), transportation and storage. This includes a close examination of liquefied natural gas (LNG) and other alternatives, with appropriate measures taken to maintain adequate gas quality, safety, security and environmental protections.
- d) **Continue to promote competitive wholesale and retail energy markets.** Since 1999, New Jersey has been active in creating competitive supply markets for electricity and natural gas at the wholesale and retail levels. Competitive markets increase energy affordability, send proper price signals to consumers, and promote reliability, adequate supply, and technological innovation. The BPU should continue its movement toward competitive markets.

- e) **Examine New Jersey's readiness for fuel supply disruptions as part of the state's Energy Master Plan process.** Hurricanes Katrina and Rita vividly demonstrated the need for state and federal governments to be more proactive in preparing for potential supply disruptions that could have a devastating effect on their economy and security. Such disruptions include natural disasters, sea level rise, international developments or breaches in the security of energy-related facilities and infrastructure. As part of the master plan process, the State should evaluate its capacity to deal with such disruptions and develop plans to lessen their impact.

## **V. Reducing State Energy Usage**

The state of New Jersey should significantly increase its effort to improve the efficiency of its facilities and vehicles, promote conservation, and incorporate more distributed and renewable generation into its energy portfolio. This will save tens of millions of dollars in wasted energy expenses, and it will also allow the state to lead by example when it comes to making smart energy investments. To that end, the Energy Advisory Group recommends the following actions:

- a) **Appoint a Director of Savings and Sustainability who reports directly to the Treasurer and is charged with reducing State energy usage and improving how government uses energy.** This appointee will only be effective if he or she has direct access to the Treasurer and is empowered to take aggressive steps to reduce state energy usage. This will necessarily include engaging in long-term and performance contracting to make efficiency investments or install on-site generation, and influencing procurement practices across state government. The duties of the Director of Energy Savings and Sustainability should include the following:
- Increasing energy efficiency in all state buildings including universities, schools, government buildings, and all other instrumentalities (we will refer to all of these simply as "state facilities" from here forward)
  - Promoting conservation in all state facilities
  - Identifying opportunities to install renewable and clean energy at state facilities
  - Implementing the best possible procurement options for the state
  - Improving the energy efficiency of the state vehicle fleet
  - Developing life-cycle benchmarks to guide all state procurement and construction decisions
  - Helping local governments achieve energy savings and use renewable and clean energy
  - Reaching out to the private sector to encourage the reduction of energy consumption and the increased use of renewable and clean energy

This appointee should be put in place as soon as possible to help impact the FY 2007 budget. An advisory panel of experts should be assembled to advise the Director on his or her execution of these duties.

- b) **Identify sources of capital to support a large-scale investment in cost-effective energy efficiency and renewable energy for state and local government facilities.** With proper financing, a significant capital investment in this area would be revenue positive, resulting in financial benefits for state and local governments for decades to come. This investment, which would be coordinated by the Director of Energy Savings and Sustainability, could be financed with revenue bonds (paid back with a portion of energy savings), long-term 'performance contracts' (also repaid with energy savings), and/or public-private partnerships. The size of this investment should be commensurate with Governor-Elect Corzine's goal of making New Jersey the national leader progressive state energy policy.

- c) **Eliminate barriers to private financing of State energy efficiency and renewable energy investments.** Contracting rules and regulations at nearly all levels of government create significant barriers to public investments in efficiency and renewables. One such barrier is the five-year limit on contract durations, which makes such investments unaffordable. The administration should work with the Legislature to amend such rules.

## **VI. Cleaner and more efficient transportation**

Transportation represents roughly one third of New Jersey's energy consumption. New Jersey's energy policy should prioritize reducing vehicle miles traveled and improving the energy efficiency of our transportation sector. These efforts will reduce the energy-costs of transportation, improve air quality, and improve our quality of life. Accordingly, this group recommends the following actions:

- a) **Implement a long-term solution to funding the Transportation Trust Fund (TTF).** Utilizing mass transit is a fundamental part of an energy policy designed to reduce the use of gasoline. However, without adequate funding for the TTF, our mass transit system is falling into disrepair. New Jersey must reform the TTF so that all funds are directed toward capital investment, and mass transit projects are prioritized more strategically and effectively to reduce vehicles miles traveled. But reforming the fund alone will not be enough. In order to safely maintain our current mass transit system – let alone fund needed expansions – we must find new revenues for the TTF. A failure to provide new revenues will spell disaster for New Jersey's energy policy and the health, safety and economic well-being of New Jerseyans.

To address this problem, this group believes the Governor-Elect must seriously consider funding options such as raising the gas tax. Despite having one of the most extensive roadway systems in the country, and the second most relied upon public transit system in the nation<sup>2</sup>, only three states have a lower gas tax than New Jersey (and those states – Wyoming, Alaska and Georgia – are comparatively rural). Given the tremendous funding needs of New Jersey's roads and mass transit system, this is not sensible public policy.

- b) **Implement and support the 'Clean Cars' program, including a tailpipe standard for carbon dioxide emissions.** The 'Clean Cars' program will set a statewide fleet emission standard that is 15% to 20% stronger than the federal standard, taking effect in 2009. The program also promotes the design and manufacturing of advanced technology cars, including super-clean gas powered cars, gas-electric hybrids, and battery powered cars. This program will need continued support from the Governor's office if it is to be implemented. Moreover, the state should work to ensure that there is a market for the cars that manufacturers will be required to build under this program. Accordingly, the state should investigate incentives for consumers, businesses and local governments, to purchase cleaner vehicles. This group also believes that state vehicles should be used to demonstrate alternative fuel and zero-emission vehicle technology.
- c) **Consider increasing registration and other fees on very low fuel efficiency vehicles.** This would help make our fee system more equitable, given the fact that large, very fuel inefficient vehicles impose greater societal costs, including environmental damage, safety concerns, and damage to transportation infrastructure.
- d) **Reexamine incentives for more efficient work-related transportation and 'short trip' transportation.** The state should work with employers toward the shared goal of reducing miles driven by employees. This could be done by promoting telecommuting; providing shuttles to trains, or allowing employees the option of

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<sup>2</sup> 9.6% of all workers in New Jersey use public transportation; second only to New York state.

a subsidy toward mass transit costs or other alternate commuting options that is of equal value to the parking privileges provided by the employer. The state should also eliminate barriers to the use of light-duty clean vehicles and bicycles for short trips, such as licensing restrictions.

**Co-Chairs**

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